

GLENN COUNTY ASSESSMENT PRACTICES SURVEY

JULY 2011

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July 29, 2011

TO COUNTY ASSESSORS:

GLENN COUNTY
ASSESSMENT PRACTICES SURVEY

No. 2011/022

A copy of the Glenn County Assessment Practices Survey Report is enclosed for your information. The Board of Equalization (BOE) completed this survey in fulfillment of the provisions of sections 15640-15646 of the Government Code. These code sections provide that the BOE shall make surveys in each county and city and county to determine that the practices and procedures used by the county assessor in the valuation of properties are in conformity with all provisions of law.

The Honorable Sheryl Thur, Glenn County Assessor/Clerk/Recorder, was provided a draft of this report and given an opportunity to file a written response to the findings and recommendations contained therein. The report, including the assessor's response, constitutes the final survey report, which is distributed to the Governor, the Attorney General, and the State Legislature; and to the Glenn County Board of Supervisors and Grand Jury.

Fieldwork for this survey was performed by the BOE's County-Assessed Properties Division from July through August 2009. The report does not reflect changes implemented by the assessor after the fieldwork was completed.

Ms. Thur and her staff gave their complete cooperation during the survey. We gratefully acknowledge their patience and courtesy during the interruption of their normal work routine.

These survey reports give government officials in California charged with property tax administration the opportunity to exchange ideas for the mutual benefit of all participants and stakeholders. We encourage you to share with us your questions, comments, and suggestions for improvement.

Sincerely,

/s/ Lynn Bartolo for

David J. Gau
Deputy Director
Property and Special Taxes Department

DJG:dcl
Enclosure

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INTRODUCTION

Although county government has the primary responsibility for local property tax assessment, the State has both a public policy interest and a financial interest in promoting fair and equitable assessments throughout California. The public policy interest arises from the impact of property taxes on taxpayers and the inherently subjective nature of the assessment process. The financial interest derives from state law that annually guarantees California schools a minimum amount of funding; to the extent that property tax revenues fall short of providing this minimum amount of funding, the State must make up the difference from the general fund.

The assessment practices survey program is one of the State's major efforts to address these interests and to promote uniformity, fairness, equity, and integrity in the property tax assessment process. Under this program, the State Board of Equalization (BOE) periodically reviews the practices and procedures (surveys) of every county assessor's office. This report reflects the BOE's findings in its current survey of the Glenn County Assessor/Clerk/Recorder's Office.¹

The assessor is required to file with the board of supervisors a response that states the manner in which the assessor has implemented, intends to implement, or the reasons for not implementing the recommendations contained in this report. Copies of the response are to be sent to the Governor, the Attorney General, the BOE, and the Senate and Assembly; and to the Glenn County Board of Supervisors and Grand Jury. That response is to be filed within one year of the date the report is issued and annually thereafter until all issues are resolved. The Honorable Sheryl Thur, Glenn County Assessor/Clerk/Recorder, elected to file her initial response prior to the publication of our survey; it is included in this report following the Appendixes.

While typical management audit reports emphasize problem areas, they say little about operations that are performed correctly. Assessment practices survey reports also tend to emphasize problem areas, but they also contain information required by law (see *Scope of Assessment Practices Surveys* at page 2) and information that may be useful to other assessors. The latter information is provided in the hope that the report will promote uniform, effective, and efficient assessment practices throughout California.

¹ This report covers only the assessment functions of this office.

SCOPE OF ASSESSMENT PRACTICES SURVEYS

Government Code sections 15640 and 15642 define the scope of an assessment practices survey. As directed by those statutes, our survey addresses the adequacy of the procedures and practices employed by the assessor in the valuation of property, the volume of assessing work as measured by property type, and the performance of other duties enjoined upon the assessor.

In addition, pursuant to Revenue and Taxation Code² section 75.60, the BOE determines through the survey program whether a county assessment roll meets the standards for purposes of certifying the eligibility of the county to continue to recover costs associated with administering supplemental assessments. Such certification is obtained either by satisfactory statistical result from a sampling of the county's assessment roll, or by a determination by the survey team—based on objective standards defined in regulation—that there are no significant assessment problems in the county. The statutory and regulatory requirements pertaining to the assessment practices survey program are detailed in Appendix B.

Our survey of the Glenn County Assessor's Office included reviews of the assessor's records, interviews with the assessor and her staff, and contact with officials in other public agencies in Glenn County that provided information relevant to the property tax assessment program.

Since this survey did not include an assessment sample pursuant to Government Code section 15640(c), our review included an examination to determine whether "significant assessment problems" exist, as defined by Rule 371.³

This report offers recommendations to help the assessor correct assessment problems identified by the survey team. The survey team makes recommendations when assessment practices in a given area are not in accordance with property tax law or generally accepted appraisal practices. An assessment practices survey is not a comprehensive audit of the assessor's entire operation. The survey team does not examine internal fiscal controls or the internal management of an assessor's office outside those areas related to assessment. In terms of current auditing practices, an assessment practices survey resembles a compliance audit—the survey team's primary objective is to determine whether assessments are being made in accordance with property tax law.

² Unless otherwise stated, all statutory references are to the California Revenue and Taxation Code.

EXECUTIVE SUMMARY

As stated in the Introduction, this report emphasizes problem areas we found in the operations of the assessor's office. However, it also identifies program elements that we found particularly effective and describes areas of improvement since our last assessment practices survey.

In Glenn County, the assessor is doing a good job handling appraiser certification, staff property procedures, assessment appeals, and the welfare exemption program. Four administrative components of the assessor's programs needing improvement are budget and workload, disaster relief, religious exemptions, and assessment forms.

In the area of real property assessment, we found the assessor has an effective program for processing changes in ownership and managing decline-in-value assessments with the exception of mineral properties. However, several other real property assessment programs are in need of improvement. Specifically, we make recommendations for new construction, California Land Conservation Act (CLCA), taxable possessory interests, leasehold improvements, and mineral property programs.

In the area of personal property and fixtures assessment, we found several areas where improvement is needed, including the audit program, the business property statement program, and business equipment valuation.

Despite the recommendations noted in this report, we found most properties and property types are assessed correctly.

We found no significant assessment problems as defined in Rule 371. Accordingly, pursuant to section 75.60, Glenn County continues to be eligible for recovery of costs associated with administering supplemental assessments. Since Glenn County was not selected for assessment sampling pursuant to Government Code section 15643(b), this report does not include the assessment ratios that are generated for surveys that include assessment sampling.

The following is a list of the formal recommendations contained in this report arranged in the order they appear in the text.

- RECOMMENDATION 1:** Improve the budget and staffing program by reporting statistics as requested by the BOE pursuant to section 407.....7
- RECOMMENDATION 2:** Revise disaster relief procedures by: (1) revising the application for disaster relief, (2) revising the notice of reassessment for disaster relief to conform to the requirements of section 170(c), and (3) calculating the proration of taxes due on damaged property to include the month in which damage occurred as required by section 170(e).....12
- RECOMMENDATION 3:** Grant the religious exemption only to qualifying properties.14

RECOMMENDATION 4:	Use the most recent property tax forms provided by BOE as required by Government Code 15606(d).	17
RECOMMENDATION 5:	Improve the valuation of new construction by: (1) valuing construction in progress at its fair market value for the lien date, (2) enrolling new construction with a value of \$2,000 or less on the regular roll in accordance with the low value property exemption resolution, and (3) adding value for newly constructed wells on land already irrigated from alternative sources.....	25
RECOMMENDATION 6:	Discover all compatible use income in the appraisal of California Land Conservation Act (CLCA) and Farmland Security Zone (FSZ) contracts.	29
RECOMMENDATION 7:	Improve the taxable possessory interest program by: (1) discovering and assessing all taxable possessory interests at the fairgrounds, (2) using proper method to develop the appropriate capitalization rate when valuing taxable possessory interests, (3) deducting allowable expenses from gross income when valuing taxable possessory interests, (4) using the stated term of possession in accordance with Rule 21 when assessing taxable possessory interests, (5) revaluing land and improvements upon the creation, renewal, extension, or assignment of a taxable possessory interest, and (6) properly issuing supplemental assessments for taxable possessory interests.	30
RECOMMENDATION 8:	Properly classify and assess fixtures on the assessment roll.	34
RECOMMENDATION 9:	Measure declines in value for mineral properties using the entire appraisal unit as required by Rule 469(e)(2)(C).	35
RECOMMENDATION 10:	Improve the audit program by auditing the books and records of professions, trades, or businesses, pursuant to section 469.	37
RECOMMENDATION 11:	Comply with section 443.1 by always returning duplicate property statements.	38
RECOMMENDATION 12:	Audit or visit property owners who fail to file business property statements (BPS) for three or more consecutive years.	39
RECOMMENDATION 13:	Value taxable business property in accordance with section 501, when a taxpayer fails to file a business property statement (BPS).....	40

RECOMMENDATION 14: Apply the mobile agricultural percent good factors published
on Table 6 of the AH 581 as intended.41

OVERVIEW OF GLENN COUNTY

Glenn County is located in the northern third of California and extends from the Sacramento Valley into the Coast Range. It is bordered by the counties of Tehama to the north, Butte to the east, Colusa to the south, and Lake and Mendocino to the west. Glenn County was formed in 1891 from parts of Colusa County and was named after a prominent wheat farmer, Dr. Hugh J. Glenn. The City of Willows is the county seat. Glenn County encompasses 1,327 square miles, which includes 12 square miles of water. Agriculture is the county's main industry. Its major commodities include rice, almonds, milk products, walnuts, dried plums, and livestock. Glenn County has an estimated population of 28,237 as of January 1, 2008. The following table displays information pertinent to the 2008-09 assessment roll:

	PROPERTY TYPE	ENROLLED VALUE
Secured Roll	Land	\$1,094,625,192
	Improvements	\$1,226,293,903
	Personal Property & Fixtures	\$136,404,755
	Total Secured	\$2,457,323,850
Unsecured Roll	Land	\$1,647,804
	Improvements	\$9,653,653
	Personal Property & Fixtures	\$93,617,866
	Total Unsecured	\$104,919,323
Exemptions		(\$38,048,828)
	Total Assessment Roll	\$2,524,194,345

The next table summarizes the growth in assessed values over recent years:⁴

ROLL YEAR	TOTAL ROLL VALUE	CHANGE	STATEWIDE CHANGE
2008-09	\$2,524,194,000	7.2%	4.7%
2007-08	\$2,353,913,000	12.3%	9.6%
2006-07	\$2,096,956,000	10.1%	12.3%
2005-06	\$1,904,026,000	8.2%	11.1%

⁴ State Board of Equalization Annual Report, Table 7.

ADMINISTRATION

This section of the survey report focuses on administrative policies and procedures of the assessor's office that affect both the real property and business property assessment programs. Subjects addressed include the assessor's budget and staffing, appraiser certification, staff property procedures, assessment appeals, disaster relief, exemptions, and assessment forms.

Budget and Staffing

The following table illustrates the change in budget levels over recent years:

BUDGET YEAR	GROSS BUDGET ⁵	CHANGE	PERMANENT STAFF ⁶
2008-09	\$1,040,183	-9.1%	9
2007-08	\$1,135,033	29.4%	10
2006-07	\$ 877,145	0.9%	10
2005-06	\$ 869,449	-6.5%	10

At the time the survey was conducted, the assessor's office had nine full-time employees. The staff included the assessor, the assistant assessor, three senior property appraisers, one administrative assistant, and three support staff. During our review of the budget and staffing program, we noted one area in need of improvement.

RECOMMENDATION 1: Improve the budget and staffing program by reporting statistics as requested by the BOE pursuant to section 407.

During the survey, we requested statistics from the assessor for various topics, since the assessor had not reported requested statistics to the BOE for the publication *A Report on Budgets, Workloads, and Assessment Appeals Activities* for the last several years.

Section 407 provides that the assessor shall transmit a statistical statement to the BOE annually, on the second Monday in July, supplying any statistical information which the BOE may require, and shall supply from time to time any other information required by the BOE.

By not reporting statistics to the BOE, the assessor is not in compliance with current statute. Also, the assessor may not be tracking statistics for in-house use, which may keep her from making accurate decisions in regards to staff, workload, and the budget needed to complete the roll in a timely and efficient manner.

⁵ County of Glenn, *Budget Unit Financing Uses Detail*.

⁶ The number of staff reported includes the assessor.

Appraiser Certification

Section 670 provides that no person shall perform the duties of an appraiser for property tax purposes unless he or she holds a valid appraiser's certificate issued by the BOE. There are a total of five certified appraisers on staff, including the assessor; three hold advanced appraiser's certificates. We found the assessor's staff possesses the required appraiser's certificates. There are no auditor-appraisers in Glenn County. Any mandatory audits are contracted through the California Counties Cooperative Audit Services Exchange (CCCASE) program.

In Glenn County, the assistant assessor is responsible for the training and certification program for appraisers. The assessor uses the BOE tracking system to track appraiser's continuing education hours. Appraisers are encouraged to take the necessary courses to obtain their advanced certification as soon as possible. Glenn County gives a financial incentive of \$150 per month to an appraiser holding an advanced property tax appraiser certificate.

According to the BOE report on training hours for certified appraisers in Glenn County, two appraisers were deficient as of June 30, 2009. When the assessor was questioned on this subject, she said the appraisers will take the continuing education necessary to become current in their training hours.

The assessor has contracted with a private appraiser to value petroleum properties. The contractor possesses a permanent appraiser's certificate and is current in his continuing education hours. According to the assessor, the private appraiser's contract was scheduled to expire in 2010 and the assessor did not intend to renew or extend the contract.

Staff Property Procedures

The BOE's assessment practices survey includes a review of the assessor's internal controls and safeguards as they apply to staff-owned properties. This review is done to ensure there are adequate and effective controls in place to prevent the assessor's staff from being involved in the assessment of property in which they have an ownership interest.

The assessor discovers staff-owned property through name recognition on deeds, voluntary disclosure by employees, and certified staff's annual filing of the California Fair Political Practices Commission Form 700, *Statement of Economic Interests* (Form 700). Form 700 requests information regarding employee ownership in any real property, other than their primary residence, as well as ownership interests in any business entity. Other information requested includes the nature and the percentage of the ownership interest.

When an appraisal is required for a staff-owned property, the assignment is given to a senior appraiser assigned to properties outside the geographical area in which the property is located.

We reviewed a number of staff-owned properties and found no problems.

Assessment Appeals

The assessment appeals function is prescribed by article XIII, section 16 of the California Constitution. Sections 1601 through 1641.5 are the statutory provisions governing the conduct and procedures of assessment appeals boards and the manner of their creation. As authorized by Government Code section 15606, the Board has adopted Rules 301 through 326 to regulate the assessment appeals process.

Pursuant to section 1601, the body charged with the equalization function for the county is the appeals board, which is either the county board of supervisors meeting as a county board of equalization or an appointed assessment appeals board. Appeal applications must be filed with the clerk of the board (clerk). The regular time period for filing an appeal application, as set forth in section 1603, is July 2 to September 15; however, if the assessor does not provide notice to all taxpayers of real property on the local secured roll of the assessed value of their real property by August 1, then the last day of the filing period is extended to November 30. Section 1604(c) and Rule 309 provide that the appeals board must make a final determination on an appeal application within two years of the timely filed appeal application unless the taxpayer and appeals board mutually agree to an extension of time or the application is consolidated for hearing with another application by the same taxpayer.

In Glenn County, the five-member board of supervisors serves as the county board of equalization and hears all assessment appeals. Assessment appeal hearings are scheduled to coincide with the regular monthly meeting of the board of supervisors. There were no hearings scheduled during our survey period.

The regular filing period for appeals is July 2nd through November 30th. No appeal has gone unresolved for more than two years without a timely filed extension. Extensions for appeals not resolved within the two-year time period are properly documented and in compliance with section 1604.

The following table sets forth the assessment appeal workload in recent years:

ASSESSMENT ROLL	2008-09	2007-08	2006-07	2005-06	2004-05
Appeals Filed	110	103	2	4	20
Appeals Carried Over From Prior Year	17	2	4	4	9
Total Appeals Workload	127	105	6	8	29
Resolution:					
Withdrawn	10	81	4	3	19
Stipulation	6	7	0	1	6
Appeals Reduced	0	0	0	0	0
Appeals Upheld	0	0	0	0	0
Appeals Increased	0	0	0	0	0
Other Determination*	0	0	0	0	0
Total Resolved	16	88	4	4	25
To Be Carried Over**	111	17	2	4	4

* Note: Includes, but not limited to late-filed appeals, applicants' failure to appear and board denied applications.

**Note: "To Be Carried Over" includes appeals with time extensions by mutual agreement of the parties.

The majority of appeals in Glenn County involve gas wells. The assessor has very few appeals involving residential and commercial properties. Property owners with residential and commercial property types typically contact the assessor's office when there are questions involving the valuation of their property; most issues are resolved without the need for a formal appeal.

The clerk of the board is responsible for providing applications for changed assessment to the public. The application can be obtained at the board of supervisors' office or through the Glenn County website. No fee is charged to file an appeal. When the clerk of the board receives an application, the clerk stamps it, reviews it for completeness and timely filing, provides a copy to the assessor, and schedules the appeal for a hearing. In compliance with section 1605.6, the clerk of the board sends a letter to the applicant with notification of the time, date, and place of the hearing.

The administrative assistant at the assessor's office receives a copy of each application from the clerk of the board and enters it on a spreadsheet. The assistant assessor reviews the application and assigns the item to an appraiser for handling. The assigned appraiser attempts to make contact with each applicant prior to the hearing to explain the assessment, understand the applicant's concerns, and try to come to an agreement. If an agreement is reached, the applicant may withdraw the application or a stipulation may be created. If the applicant decides to withdraw the application, the applicant is asked to send the clerk of the board a letter confirming the withdrawal. A stipulation is created when the applicant and the assessor agree to a changed

value. The stipulation outlines the details of the agreement. The assessor sends a stipulation to the applicant for a signature. Upon receipt of the signed stipulation, the assessor forwards the stipulation to the appeals board for approval. If no agreement can be reached, the appeal process continues and the assessor and appraiser present the case at the hearing.

We reviewed records involving assessment appeals and found the files to be well documented and complete. Overall, the assessor's assessment appeals program is well administered.

Disaster Relief

Section 170 permits a county board of supervisors to adopt an ordinance that allows immediate property tax relief on qualifying property damaged or destroyed by misfortune or calamity. The relief is available to any assessee whose property suffers damage exceeding \$10,000 (without his or her fault) in a misfortune or calamity. In addition, section 170 provides procedures for calculating value reductions and restorations of value for the affected property.

To obtain relief under section 170, assesseees must make a written application to the assessor requesting reassessment. In addition, if the assessor is aware of any property that has suffered damage by misfortune or calamity, the assessor must provide the last known assessee with an application for reassessment. Alternatively, the board of supervisors may, by ordinance, grant the assessor the authority to initiate the reassessment if the assessor is aware and determines that within the preceding 12 months taxable property located in the county was damaged or destroyed by misfortune or calamity.

Upon receipt of a properly completed application, the assessor shall reassess the property for tax relief purposes. If the sum of the full cash values of the land, improvements, and personal property before the damage or destruction exceeds the sum of the values after the damage by \$10,000 or more, the assessor shall then determine the percentage reductions in current market value and reduce the assessed values by those percentages.

The Glenn County Board of Supervisors last updated the county's disaster relief ordinance on January 4, 2005. In our review of the amended disaster relief ordinance, we found the contents reflect the current provisions of section 170.

Calamities are discovered through building permits issued for repairs, field canvassing, taxpayer initiated contacts, and media reports. Upon discovery, the assessor mails an application to the property owner. Returned applications are date-stamped and placed in a binder for historical reference. If further investigation is warranted, the application is forwarded to an appraiser for evaluation.

The following table shows the number of approved disaster relief claims in recent years:

ROLL YEAR	CLAIMS FILED
2008-09	3
2007-08	9
2006-07	6
2005-06	6

In our review of disaster relief records, we found that the assessor verified the damage had occurred, noted the damage amount on the records, and reduced the assessment when appropriate. We did, however, find three areas in which the assessor can improve the disaster relief program.

RECOMMENDATION 2: Revise disaster relief procedures by: (1) revising the application for disaster relief, (2) revising the notice of reassessment for disaster relief to conform to the requirements of section 170(c), and (3) calculating the proration of taxes due on damaged property to include the month in which damage occurred as required by section 170(e).

Revise the application for disaster relief.

The existing application for disaster relief contains an incorrect filing period (30 days from receipt of the application), fails to request information regarding the condition and value of the property immediately after the damage, and the dollar amount of the damage. Section 170(a)(3) provides that the application should be submitted within the time period specified in the ordinance or within 12 months of the misfortune, whichever is later. It must also request a description of the condition and value of the property, if any, immediately after the damage or destruction, and the dollar amount of the damage.

By using the current disaster relief application, the assessor is not following statutory mandates and is not accurately informing taxpayers of the full rights and benefits they are entitled to receive.

Revise the notice of reassessment for disaster relief to conform to the requirements of section 170(c).

We found the notice currently used by the assessor to notify taxpayers of disaster relief reassessments is the same notice used to notify the assessee of reassessments due to changes of ownership and new construction. The *Notice of Supplemental Assessment* provides that the filing period to file a formal appeal is within 60 days from the date of mailing printed on the notice or the postmark date for the tax bill, whichever is later. Section 170(c) provides that a claimant has six months to file an appeal protesting a disaster relief reassessment.

Failure to properly notify taxpayers may mislead them into believing they have missed the deadline to file an appeal when in fact they have an additional four months in which to file.

Calculate the proration of taxes due on damaged property to include the month in which the damage occurred as required by section 170(e).

We found the assessor incorrectly calculates the proration factor used to determine the amount of tax relief given due to a calamity by giving tax relief as of the date the calamity occurred. Section 170(e)(2) provides that the assessee shall be liable for a proration of the tax due on the property as reassessed in its damaged or destroyed condition, to be determined on the basis of the number of months in the fiscal year after the damage or destruction, including the month in which the damage was incurred. Therefore, the assessor should be prorating the taxes as of the first day of the month in which the calamity occurred, not as of the date of occurrence.

By not correctly calculating the proration of the taxes due on damaged property, taxpayers may not be receiving the full relief to which they are entitled.

Exemptions

Church and Religious Exemptions

Article XIII, section 3(f) of the California Constitution authorizes exemption of property used exclusively for religious worship. This constitutional provision, implemented by section 206, exempts buildings, the land on which they are situated, and equipment used exclusively for religious worship, when such property is owned or leased by a church. Property that is reasonably and necessarily required for church parking is also exempt under article XIII, section 4(d) of the California Constitution, provided that the property is not used for commercial purposes. The church parking exemption is available for owned or leased property meeting the requirements of section 206.1. The Legislature has also implemented the religious exemption in section 207, which exempts property owned by a church and used exclusively for religious worship or for both religious worship and school purposes (excluding property used solely for schools of collegiate grade).

County assessors administer the church and religious exemptions. The church exemption, including the church parking exemption, requires an annual filing of the exemption claim. The religious exemption requires a one-time filing by the claimant, although the assessor annually mails a form to claimants to confirm continuing eligibility for the exemption. Once granted, the religious exemption remains in effect until terminated or until the property is no longer eligible for the exemption.

In Glenn County, the assessor processed one church exemption claim and 61 religious exemption claims for the 2008-09 assessment roll. The following table sets forth religious and church exemption information for recent years:

ROLL YEAR	RELIGIOUS EXEMPTIONS	EXEMPTED VALUE	CHURCH EXEMPTIONS	EXEMPTED VALUE
2008-09	61	\$12,413,278	1	\$293,603
2007-08	59	\$11,760,056	1	\$178,112
2006-07	61	\$12,088,193	-	-
2005-06	60	\$11,678,265	-	-

The assessor refers to Assessors' Handbook Section 267, *Welfare, Church, and Religious Exemptions*, the recently published Publication 149, *Property Tax Welfare Exemption*, and other advisory information distributed at BOE exemptions workshops. Field inspections of claimants' properties are performed when necessary.

As required by sections 255 and 256, claimants for the church exemption are required to file an annual claim using BOE-262-AH. We found the assessor's church exemption program to be well documented and properly administered.

The assessor sends BOE-267-SNT, *Religious Exemption Change in Eligibility or Termination Notice*, for religious exemptions. The assessor tracks whether claimants return the cards to her office. With one exception, we found the assessor's religious exemption program to be well documented and properly administered.

RECOMMENDATION 3: Grant the religious exemption only to qualifying properties.

The assessor improperly grants the religious exemption for property used for a church parsonage and/or rectory owned by a religious organization and occupied by the pastor or corresponding church dignitary.

Section 207 provides the religious exemption for property owned by a church and used exclusively for religious worship or for both religious worship and school purposes. Section 214 provides the welfare exemption for property used exclusively for religious, hospital, charitable, or scientific purposes and owned or held in trust by nonprofit organizations operating for those purposes. Section 214(i) provides the welfare exemption for property used exclusively for housing and related facilities for employees if the housing is incidental to and reasonably necessary for the accomplishment of the exempt purpose of the organization. Rule 137, *Application of the Welfare Exemption to Property Used for Housing*, provides standards for determining qualification for the welfare exemption as it applies to property used for housing.

The religious exemption does not apply to property used for housing. However, the property may be eligible for the welfare exemption if it is incidental to and reasonably necessary for the primary religious purpose of the organization pursuant to section 214 and Rule 137.

By granting the religious exemption for property used for housing, the assessor is inappropriately granting the religious exemption for non-qualifying uses.

Welfare Exemption

Article XIII, section 4(b) of the California Constitution authorizes the Legislature to exempt property owned and used exclusively for religious, hospital or charitable purposes by organizations formed and operated exclusively for those purposes. When the Legislature enacted section 214 to implement this constitutional provision, a fourth purpose (scientific) was added. Both the organizational and property use requirements must be met for the exemption to be granted.

The welfare exemption is co-administered by the BOE and county assessors. The BOE is responsible for determining whether an organization itself is eligible for the welfare exemption and for issuing either *Organizational Clearance Certificates* (OCCs) to qualified organizations or *Supplemental Clearance Certificates* (SCCs) to limited partnerships, which have a qualified organization as the managing general partner, that own and operate low-income housing. The assessor is responsible for determining whether the use of a qualifying organization's property is eligible for exemption and for approving or denying exemption claims.

The assessor may not grant a welfare exemption on an organization's property unless the organization holds a valid OCC issued by the BOE or a valid SCC issued by the BOE if the property is a low-income housing property owned and operated by a limited partnership, which has a qualified organization (OCC holder) as the managing general partner. The assessor may, however, deny an exemption claim based on non-qualifying use of the property, notwithstanding that the BOE has issued an OCC or SCC to the claimant.

The assessor processed 33 welfare exemption claims for the 2008-09 assessment roll. The following table summarizes welfare exemption information for recent years:

ROLL YEAR	WELFARE EXEMPTIONS	EXEMPTED VALUE
2008-09	33	\$22,732,258
2007-08	35	\$21,808,028
2006-07	35	\$17,921,280
2005-06	37	\$14,342,255

We reviewed a variety of welfare exemption claims, including first-time filings and annual filings. We also inspected claims for low-income housing property, including properties owned by a limited partnership holding an SCC. Our review indicated the assessor is properly administering the welfare exemption, obtaining an OCC from each claimant requesting a welfare exemption, reviewing each claim and any supporting documents before granting an exemption, appropriately examining an organization's property holding a valid SCC, and correctly allocating exemption values and taxable values of properties receiving partial exemptions. We have no recommendations in this area.

Homeowners' and Disabled Veterans' Exemptions

The homeowners' exemption is authorized by article XIII, section 3(k) of the California Constitution. This constitutional provision, implemented by section 218, exempts \$7,000 of the full value of a dwelling when occupied by an owner as a principal place of residence.

The disabled veterans' exemption is authorized by article XIII, section 4(a) of the California Constitution. This constitutional provision, implemented by section 205.5, exempts a specified amount of the full value of a dwelling when occupied as a principal place of residence by an owner who is a qualified disabled veteran (or the veteran's unmarried surviving spouse). The amount of exemption is \$100,000 or, for qualifying low-income veterans, \$150,000. Both of these amounts are adjusted annually by a cost of living index.

The homeowners' exemption requires a one-time filing. Once granted, the exemption remains in effect until such time as title to the property changes, the owner does not occupy the dwelling as his or her principal place of residence as of the lien date, or the property is otherwise ineligible.

The assessor processed 4,811 homeowners' exemption claims and 24 disabled veterans' exemption claims for the 2008-09 assessment roll. The following table illustrates homeowners' and disabled veteran's exemption information for recent years:

ROLL YEAR	HOMEOWNERS' EXEMPTIONS	EXEMPTED VALUE	DISABLED VETERANS' EXEMPTIONS	EXEMPTED VALUE
2008-09	4,811	\$33,626,638	24	\$2,212,962
2007-08	4,820	\$33,558,429	32	\$2,748,322
2006-07	4,824	\$33,552,000	27	\$2,353,241
2005-06	4,825	\$33,569,677	26	\$2,194,408

Our review indicates the assessor properly processes claims for homeowners' and disabled veterans' exemptions. The assessor also submits information regarding homeowners' exemption claims to the BOE in the appropriate manner. Claim forms for the disabled veterans' exemption were submitted timely with the proper exemption allowed, either basic or low-income, and for the year requested. Accordingly, we have no recommendations in this area.

Assessment Forms

Government Code section 15606 requires the BOE to prescribe and enforce the use of all forms for the assessment of property for taxation.⁷ Generally, the assessor may not change, add to, or delete the specific wording in a prescribed form. The assessor may, however, rearrange information on a form provided that the assessor submits such form to the BOE for review and approval. Assessors may also use locally developed forms to assist them in their assessment duties.

⁷ Also sections 480(c), 480.2(b), 480.4, and Rules 101 and 171.

To enforce the use of prescribed forms, the BOE requires assessors to specify in writing each year the forms they will use in the succeeding assessment year. Assessors are also required to submit to the BOE copies of the final prints of all prescribed forms they intend to use.

For the 2008-09 roll year, the assessor used 66 Board-prescribed forms. All 66 forms were BOE prototypes; none had been modified. However, we did note one problem.

RECOMMENDATION 4: Use the most recent property tax forms provided by BOE as required by Government Code 15606(d).

The assessor does not utilize current property tax forms. Of the 30 forms reviewed, 18 were obsolete by two to five years. Pursuant to Government Code 15606, the assessor is required to use forms prescribed by the BOE to ensure changes in the Revenue and Taxation Code are implemented timely and uniformly throughout the state. Failure to use current forms may result in providing taxpayers with outdated and incorrect information.

ASSESSMENT OF REAL PROPERTY

The assessor's program for assessing real property includes the following principal elements:

- Revaluation of properties that have changed ownership.
- Valuation of new construction.
- Annual review of properties that have experienced declines in value.
- Annual revaluations of certain properties subject to special assessment procedures, such as property subject to California Land Conservation Act contracts and taxable possessory interests.

Article XIII A of the California Constitution provides that, absent post-1975 new construction or changes in ownership, the taxable value of real property shall not exceed its 1975 full cash value, except that it can be adjusted annually for inflation by a factor not to exceed two percent.

Change in Ownership

Section 60 defines change in ownership as a transfer of a present interest in real property, including the beneficial use thereof, the value of which is substantially equal to the value of the fee simple interest. Sections 61 through 69.5 further clarify what is considered a change in ownership and what is excluded from the definition of change in ownership for property tax purposes. Section 50 requires the assessor to establish a base year value for real property upon a change in ownership; a property's base year value is its fair market value on the date of change in ownership.

Document Processing

The assessor's primary source of discovering properties having changed ownership is to review deeds and other documents recorded at the county recorder's office. Glenn County maintains policies and procedures for staff in processing changes in ownership. A recent decline in the real estate market is reflected by the drop in the number of transfers. The following table shows the total number of assessable transfers in recent years:

ROLL YEAR	ASSESSABLE TRANSFERS
2008-09	616
2007-08	831
2006-07	1,071
2005-06	1,244
2004-05	1,124

The recorder's office requires form BOE-502-A, *Preliminary Change of Ownership Report* (PCOR), to accompany documents submitted for recordation transferring ownership of real property. If a transfer document is received without a PCOR, the recorder's office adds a \$20 fee to the recording fee. PCORs are available at both the assessor's office and recorder's office.

The assessor also functions as the county clerk and county recorder. Recorded documents based on a set of parameters are sent electronically from the recorder's office to the assessor's office.

Each week a list of recorded documents is downloaded and printed by the office technician for review. The assessor's staff is about one week behind the recorder. The office technician picks up paper copies of PCORs and forms BOE-502-AH, *Change of Ownership Statements* (COS), from the recorder's office. The PCORs and COSs are reviewed and matched with the recorded documents. The office technician determines if any additional correspondence needs to be sent to the property owner, determines percentages of transfers, and stamps each document as an assessable or non-assessable event. When a recorded document is received without a PCOR or COS, the office technician mails a COS to the property owner with a cover letter. The mailings are tracked through an excel spreadsheet and reviewed weekly. The taxpayer will receive three letters along with a COS during the first 45 days. The assessor reports a nearly 100 percent return rate for the COS.

The batch of documents is then sent to the administrative assistant who reviews the information on the computer system for accuracy and further processing determination. If the transfer results in a non-assessable event, the information is noted and filed. If the event is determined to be assessable, the building record and PCOR or COS are placed in an area for the appraisers to review and value based on the assigned geographical location.

We examined several recorded documents and found the assessor conducts a proper and thorough review for assessable events.

Transfer Lists

Pursuant to section 408.1(a), the assessor shall maintain a list of transfers of any interest in property, other than an undivided interest, within the county, which have occurred within the preceding two-year period. Section 408.1(e) states, however, that this requirement shall not apply to any county with a population under 50,000 people, as determined by the 1970 federal decennial census. Based on the population of 17,521 in Glenn County in 1970, the assessor is not required to maintain a transfer list and has elected not to maintain one.

Legal Entity Ownership Program (LEOP)

Section 64 provides that certain transfers of ownership interests in a legal entity constitute a change in ownership of all real property owned by the entity and any entities under its ownership control. Rule 462.180 interprets and clarifies section 64, providing examples of transactions that either do or do not constitute a change in entity control and, hence, either do or do not constitute a change in ownership of the real property owned by the entity. Discovery of these types of changes in ownership is difficult for assessors, because ordinarily there is no recorded document evidencing a transfer of an ownership of an interest in a legal entity.

To assist assessors, the BOE's LEOP section gathers and disseminates information regarding changes in control and ownership of legal entities that hold an interest in California real property. On a monthly basis, LEOP transmits to each county assessor a listing, with corresponding property schedules, of legal entities that have reported a change in control under section 64(c) or change in ownership under section 64(d). However, because the property affected is self-reported by the person or entity filing information with the BOE, LEOP advises assessors to independently research each entity's property holdings to determine whether all affected parcels have been identified and properly reappraised.

Sections 480.1, 480.2, and 482 set forth the filing requirements and penalty provisions for reporting of legal entity changes in control under section 64(c) and changes in ownership under 64(d). A change in ownership statement must be filed with the BOE within 45 days of the date of change in control or change in ownership; reporting is made on BOE-100-B, *Statement of Change in Control and Ownership of Legal Entities*. Section 482(b) provides for application of penalty if a person or legal entity required to file a statement under 480.1 and 480.2 does not do so within 45 days from the earlier of (1) the date of change in control or ownership or (2) the date of written request by the BOE. The BOE advises county assessors of entities that are subject to penalty so they can impose the applicable penalty to the entity's real property.

In Glenn County, the office technician processes all legal entity transfers. The assessor discovers changes in control by checking the monthly LEOP reports. The assessor also discovers potential changes in control or ownership of legal entities from media reports and word of mouth.

The LEOP reports received monthly are checked to determine if any changes in control or ownership have occurred that affect property within the county. Parcel numbers located in the county are reviewed along with other potential properties affiliated with the entity to ensure all of the entity's real property is reassessed. If the transfer results in an assessable event, the transfer information is provided to the appraiser for valuation. If additional parcels related to the entity are discovered, the assessor will notify the BOE by utilizing the *Legal Entity Corporate Transfer Referral* form.

Glenn County does not encounter many transfers resulting in changes in control or ownership of legal entities. Nevertheless, our review shows the assessor does a thorough job in reviewing LEOP reports and reassessing all property interests identified on the BOE-100-B, *Statement of Change in Control and Ownership of Legal Entities*.

Leases

The assessor discovers lease transactions through recorded documents. If a copy of the lease is not obtained at the time of the transfer, the office technician will typically call or send a letter to obtain the details and terms of the lease. Most leases are short term and the assessor does not require a copy of the lease. Once lease documents have been processed and determined to be assessable events, the information is sent to an appraiser or auditor for valuation.

Change in Ownership Exclusions – Section 63.1

Section 63.1 generally excludes from the definition of "change in ownership" the purchase or transfer of principal residences and the first \$1 million of other real property between parents and children. Certain transfers from grandparents to their grandchildren are also excluded.

To enforce the \$1 million limit for property other than principal residences, the BOE maintains a database that lists transfers of such property statewide. To further the state and local interests served by tracking these transfers, section 63.1 encourages county assessors to report such transfers to the BOE on a quarterly basis. The quarterly reporting, which was formerly mandatory, is now optional. Even if an assessor opts not to report quarterly to the BOE, however, the assessor must track such transfers internally to be in compliance with section 63.1.

The BOE uses the information received by assessors to generate quarterly reports notifying assessors of any transferors who have been granted the exclusion for property over their \$1 million limit. With this information, assessors are able to identify ineligible claims and, if necessary, take corrective action.

Applications and information regarding exclusions are available to the public at the assessor's office. The following table represents section 63.1 claims filed and granted in Glenn County in recent years:

ROLL YEAR	SECTION 63.1 CLAIMS FILED	SECTION 63.1 CLAIMS GRANTED
2008-09	123	98
2007-08	159	116
2006-07	178	127
2005-06	161	135
2004-05	232	126

The office technician reviews all section 63.1 applications and determines if the exclusion will be accepted or denied. If a PCOR or COS indicates a transfer may be between a parent(s) and child(ren) or from grandparent(s) to grandchild(ren) the assessor is proactive in notifying interested parties of a possible exclusion. The assessor sends a letter notifying them of the exemption along with a claim form. The claim forms are tracked on a spreadsheet and reviewed weekly. If there has been no reply within 30 days of the initial mailing, the property is reassessed.

Glenn County submits optional quarterly reports to the BOE listing approved section 63.1 transfer exclusions involving property other than the transferor's principal residence. When the assessor receives the quarterly *Report of Transfers Exceeding \$1,000,000* from the BOE, the report is reviewed to determine if property in Glenn County has exceeded the limit. If the property exceeding the limit is in Glenn County, the record is given to an appraiser to revalue.

Pursuant to section 63.1(i), the assessor keeps all claim forms in a secure area that is locked each night.

Change in Ownership Exclusions – Section 69.5

Section 69.5 generally allows persons age 55 or older, or who are severely and permanently disabled, to transfer the base year value of a principal residence to a replacement residence of equal or lesser value located within the same county. A county board of supervisors may provide by ordinance that base year values may be transferred from properties located outside the county.

In general, a person may claim relief under section 69.5 only once during their lifetime. To prevent improper multiple claims for this relief, section 69.5 requires county assessors to report to the BOE, on a quarterly basis, any approved section 69.5 claims.

The BOE uses the information received by assessors to generate quarterly reports notifying assessors of any improper multiple claims. With this information, assessors are able to identify ineligible claims and, if necessary, take corrective action.

The following table lists the number of section 69.5 claims filed and granted in Glenn County in recent years:

ROLL YEAR	SECTION 69.5 CLAIMS FILED	SECTION 69.5 CLAIMS GRANTED
2008-09	1	1
2007-08	5	3
2006-07	6	2
2005-06	2	2
2004-05	0	0

Glenn County does not accept base year value transfers from other counties. Applications and information regarding exclusions are available to the public at the assessor's office. If a PCOR or COS indicates a transfer may involve a base year value exclusion, the assessor sends interested parties a letter along with a claim form. Each section 69.5 claim is reviewed by an appraiser to determine if the claim will be accepted or denied. The computer system has a code to indicate if the property owner has previously been approved for a base year value transfer in the county. An appraiser determines the fair market value of both the replacement and original properties and applies the appropriate value comparison percentage based on the date the replacement property was purchased or the new construction was completed.

Glenn County submits required quarterly reports to the BOE listing approved section 69.5 base year value transfer exclusions. To avoid duplicate filings of a section 69.5 claims, the assessor reviews the quarterly *Duplicate SSN Report* from the BOE.

Pursuant to section 69.5(n), the assessor protects confidential information furnished on the claim form by keeping all claim forms in a file cabinet away from the public.

Valuation

Once a change in ownership has been determined to have occurred, the information is typically sent to an appraiser for valuation. Assessable transfers are reviewed to confirm that the reported sale price accurately reflects market value. The sale price is not automatically enrolled. Typically, residential changes in ownership are valued using the market approach, while commercial changes in ownership are valued using the market and income approaches. The assessor attempts to physically inspect most properties having changed ownership. We reviewed a number of transfers and found supplemental assessments were processed correctly.

Direct Enrollment Program

Direct enrollment allows the assessor to automatically process the assessment of properties meeting certain criteria with minimal appraisal involvement. Glenn County does not have a direct enrollment program for transferred properties.

New Construction

Section 70 defines newly constructed property, or new construction, as (1) any addition to real property since the last lien date, or (2) any alteration of land or improvements since the last lien date that constitutes a major rehabilitation of the property or converts the property to a different use. Further, section 70 establishes that any rehabilitation, renovation, or modernization that converts an improvement to the substantial equivalent of a new improvement, constitutes a major rehabilitation of the improvement. Section 71 requires the assessor to determine the full cash value of newly constructed real property on each lien date while construction is in progress and on its date of completion, and provides that the full cash value of completed new construction becomes the new base year value of the newly constructed property.

Rules 463 and 463.500 clarify the statutory provisions of sections 70 and 71, and the Assessors' Handbook Section 502, *Advanced Appraisal*, Chapter 6, provides guidance for the assessment of new construction.

There are several statutory exclusions from what constitutes new construction; sections 70(c) and (d), and sections 73 through 74.7 address these exclusions.

Discovery

Building permits are the assessor's primary means of discovering new construction activity in Glenn County. Currently, the assessor receives building permits from five permit-issuing agencies: Glenn County Building Department, Glenn County Environmental Health Department, California Department of Housing and Community Development (HCD), and the cities of

Willows and Orland. Well and septic permits are issued through the Glenn County Environmental Health Department. Manufactured home installation and accessory permits are received from HCD. Additional sources used by the Glenn County Assessor for the discovery of new construction include field inspections, violation notices from building permit departments, anonymous reports, newspapers, aerial photography, and reviews of properties listed for sale.

The following table summarizes the assessor's building permit activity for recent years:

ROLL YEAR	PERMITS RECEIVED	NEW ASSESSMENTS FROM PERMITS
2008-09	1,416	263
2007-08	1,310	405
2006-07	1,326	319
2005-06	1,296	241

Permit Processing

During our review, we found the assessor has written procedures, policies and forms for the assessment of new construction. Permits are received by the assessor's office in hard copy form from the permit issuing agencies along with building plans and completion lists. The City of Willows has temporarily suspended issuing completion lists, but the assessor can contact their department to get the information. The technician screens the permits to determine the assessability of the new construction. The technician enters the assessable permits into the computer system and then forwards them to the appraiser assigned in that specific area. The assessor utilizes the Property Assessment Management System (PAMS) and Crest programs. The remaining permits, which are not considered assessable, are discarded. If there are any concerns regarding new construction resulting in a new assessment, it is opened in the system and forwarded to an appraiser for further review.

Valuation

The assessor values new construction by estimating the full value of new construction as of the date of completion. The appraiser determines the completion status of new construction through direct contact with the building department, new construction questionnaire data, site inspections, and the recorded date of occupancy. To value new construction, the assessor relies primarily on the cost and market approaches, but also utilizes the income approach when applicable. The assessor uses a variety of sources to develop cost indicators of value, including the Assessors' Handbook Section 531, *Residential Building Costs* (AH 531); Assessors' Handbook Section 534, *Rural Building Costs* (AH 534); the owners' reported costs; and *Marshall Valuation Service*. It is the assessor's practice to allow an appraiser to determine which items of new construction require a field inspection based on the information available to them and the type of permit. Supplemental assessments for new construction are created and issued based on the date of completion.

Construction in Progress

Section 71 requires the assessor to enroll construction in progress at its fair market value on each lien date. The appraiser must determine the completion status of new construction at each lien date and attribute a value based upon the percent complete. On subsequent lien dates, if the new construction is still incomplete, the assessor must again enroll the construction in progress at its fair market value. This process continues until the new construction is complete, at which time the new construction is assessed at its fair market value upon completion and a base year value is assigned. The assessor is currently not valuing new construction in progress and our next recommendation addresses this issue.

Self-Reporting

The assessor sends questionnaires for some permit activity. Permits are forwarded to an assigned appraiser on a monthly basis and each assigned appraiser determines which permits require a questionnaire be sent to the taxpayer for further information. The assigned appraiser is responsible for reviewing the information provided on each returned questionnaire, and comparing it with other cost and market data.

We reviewed a number of the assessor's records with new construction activity and found assessment records were adequately documented and the new construction appropriately valued. However, we found several areas where improvement is needed.

RECOMMENDATION 5: Improve the valuation of new construction by: (1) valuing construction in progress at its fair market value for the lien date, (2) enrolling new construction with a value of \$2,000 or less on the regular roll in accordance with the low value property exemption resolution, and (3) adding value for newly constructed wells on land already irrigated from alternative sources.

Value construction in progress at its fair market value for the lien date.

We found it is the assessor's policy not to value construction in progress. Instead, the value of new construction is enrolled only at the completion of the project. The assessor reviews construction in progress at the lien date to check for completion and carries over permits that are not complete to the subsequent roll year.

Pursuant to section 71, the assessor shall determine the new base year value for the portion of any taxable real property having been newly constructed. New construction in progress on the lien date shall be appraised at its full value on such date and each lien date thereafter until the date of completion, at which time the entire portion of property which is newly constructed shall be reappraised at its full value.

The assessor's failure to consistently assess construction in progress on the lien date is contrary to statutory provisions and allows construction in progress throughout the county to escape assessment.

Enroll new construction with a value of \$2,000 or less on the regular roll in accordance with the low value property exemption resolution.

Our review shows new construction with a value of \$2,000 or less is being appropriately exempted on the supplemental roll in accordance with the county's resolution exempting low valued property. However, we found new construction with a value below \$2,000 is being incorrectly exempted from the regular roll.

The resolution created by the board of supervisors states "...new construction with a value of \$2,000 or less shall be exempt from taxation only with respect to the supplemental roll..." The resolution further states "...all new construction subject to valuation and taxation under the Revenue and Taxation Code shall appear on the regular roll applicable to such construction regardless of whether the value of the construction is \$2,000 or less." The county's resolution is consistent with statutory provisions, wherein section 75.55 permits the exemption of low value supplemental assessments, while section 155.20(e)(1) precludes the county from exempting the new construction value from the regular roll. However, the assessor is not following the provisions of the county's resolution or section 155.20(e)(1) and is not enrolling new construction values of \$2,000 or less on the regular roll. When part of a larger structure, low-value new construction should be valued and enrolled on the regular roll.

The assessor's practice of not enrolling new construction under \$2,000 on the regular roll is allowing these low-value projects to escape assessment.

Add value for newly constructed wells on land already irrigated from alternative sources.

We found the assessor does not add value for newly constructed wells developed on land already coded as irrigated. The assessor argues the addition of the well does not add value to the property, because it does not change the resource provided. However, the addition of an alternative source for water allows the owner to provide this resource in the event deliveries are unavailable from alternate sources. Until a market analysis is completed supporting the assessor's contention, the full cost of the well should be added to the land value.

We also found that properties in the California Land Conservation Act did not have value added to the land for newly constructed wells. Glenn County has adopted section 423.3, which allows for 85 percent of the base year value to be considered the lowest value in comparison to the restricted value and the current market value. If the well value is not added to the factored base year value of the land, the assessor is not considering the full factored base year value of the land when making the comparison, which could cause the assessor to enroll an incorrect assessment.

The assessor's practice of not adding value for newly constructed wells on land already coded as irrigated causes the assessor to undervalue these properties, which may lead to incorrect assessments.

Declines in Value

Section 51 requires the assessor to enroll on the lien date an assessment that is the lesser of a property's factored base year value (FBYV) or its current full cash value, as defined in section 110. Thus, if a property's full cash value falls below its FBYV on any given lien date, the

assessor must enroll that lower value. If, on a subsequent lien date, a property's full cash value rises above its FBV, then the assessor must enroll the FBV.

The following table shows the number of declines in value assessments processed in Glenn County for recent years:

ROLL YEAR	PROCESSED DECLINES IN VALUE
2008-09	414
2007-08	418
2006-07	456
2005-06	487
2004-05	545

The assessor's primary methods of discovering declines in value are through taxpayers' requests for value reviews, taxpayers' formal appeals, and appraisers' familiarity with their assigned geographic areas. If the assessor becomes aware of a decline in the market value below the factored base year value for properties in the few homogeneous residential subdivisions located in the county, she will reduce the values of all the affected properties.

All properties with reduced assessments are coded with a "17" and tracked in the assessor's computer system, so the annual inflation factor will not be applied. A list of these properties is produced annually and forwarded to the appraisers responsible for each geographical area for review. The assessor's annual appraisals include either a commercial or residential worksheet comparing the subject properties' current market values with their FBVs. The assessor then enrolls the lower of the two values.

When a property is in decline-in-value status or is returned to its FBV, the assessor sends notification to the property owner stating the property's FBV, its current market value, and information about assessment appeal procedures. The assessor's notice provides all the information required by section 619(b) and (c).

We reviewed several residential and commercial property records with decline-in-value assessments; all were well documented with information supporting the assessor's value conclusions. We noted a decline in value issue for mineral property, which is addressed in the mineral property section of this report.

California Land Conservation Act Property

Pursuant to the California Land Conservation Act (CLCA) of 1965, agricultural preserves may be established by a city or county for the purpose of identifying areas within which the city or county will enter into agricultural preserve contracts with property owners.

Property owners who place their lands under contract agree to restrict the use of such lands to agriculture and other compatible uses; in exchange, the lands are assessed at a restricted value. Lands under contract are valued for property tax purposes by a method that is based upon agricultural income-producing ability (including income derived from compatible uses, e.g., hunting rights and communications facilities). Although such lands must be assessed at the lowest of the restricted value, current market value, or factored base year value, the restricted value typically is the lowest.

Sections 421 through 430.5 prescribe the method of assessment for land subject to agricultural preserve contracts. Assessors' Handbook Section 521, *Assessment of Agricultural and Open-Space Properties* (AH 521), provides guidance for the appraisal of these properties.

Agriculture is the number one industry in Glenn County, and nearly 50 percent of the total land area in the county is enrolled in the California Land Conservation Act program. Most of the rural property in Glenn County is devoted to agricultural use, with rice and almonds comprising the top two largest commodities by value. The county surpassed \$558 million in gross production value of agricultural commodities in 2008, an increase of approximately 13 percent over the 2007 production value.

For the 2008-09 roll year, Glenn County had 1,930 parcels encumbered by CLCA contracts, encompassing approximately 144,077 acres. The total restricted value of these lands was \$417,174,049. This included 26 contracts (about 2,702 acres) in nonrenewal status. It also included 577 parcels (about 90,337 acres) under Farmland Security Zone (FSZ) contracts, a more restrictive form of CLCA. There are no open-space easements under restricted value in the county. One contract has been cancelled since our last survey.

In Glenn County, the assistant assessor is responsible for the valuation of the CLCA properties. CLCA questionnaires are mailed out periodically and the information is reviewed by the assistant assessor. Income and expenses are derived from a market analysis performed by the assistant assessor that utilizes data from the Glenn County Crop Report, questionnaires from property owners, and other published data. Using a computer program, each year the assessor calculates the restricted values of the land in accordance with sections 423 and 423.4. The assessor compares the restricted value to the factored base year value and the current market value, and enrolls the lowest of the three values. The board of supervisors has adopted the provisions of section 423.3, which limits the assessment of restricted land to a value no higher than a given percentage of the property's factored base year value.

As part of our review of the assessor's CLCA program, we looked at the development and implementation of income and expenses used; development and implementation of the capitalization rate used, which included the current interest component provided annually by BOE, as well as components for risk and tax rate; proper valuation of homesites in accordance with section 428; and proper issuing of supplemental assessments on unrestricted portions of CLCA properties when appropriate. We noted no problems in these areas and found the assessor has an efficient and well organized program in place to value CLCA properties. However, we found one area where improvement is needed.

RECOMMENDATION 6: Discover all compatible use income in the appraisal of California Land Conservation Act (CLCA) and Farmland Security Zone (FSZ) contracts.

We found the assessor does not request all compatible use income when appraising CLCA and FSZ restricted properties. The assessor's questionnaire letter for restricted properties contains a section asking for information on "hunting and other recreational rights rented to others," but the questionnaire does not specify all potential compatible uses. Citing particular examples of compatible uses on the questionnaire, such as mineral or gas exploration site leases and microwave antenna or cell tower leases, could lead to the discovery of additional income generated from compatible uses.

Agricultural preserve property encumbered by a CLCA contract is assessed on the basis of its agricultural income producing ability, including any permitted compatible use income. In defining the income to be capitalized when valuing open-space properties subject to enforceable restrictions, section 423(a)(3) provides that revenue shall be the amount of money the land can be expected to yield to an owner-operator. Although this income can be derived from any permitted use of the land under the terms by which it is enforceably restricted, section 428 prohibits residential uses from receiving a restricted valuation. Under these provisions, and in accordance with Government Code sections 51238.1, 51238.2 and 51238.3, the assessor must assume any use – other than a residential use – allowed by a contract is a compatible use. As indicated, when income generated by this use is attributable to the land, it must be capitalized in the manner specified for restricted properties.

By not requesting information for all these additional incomes, the assessor is potentially undervaluing properties subject to open-space restrictions which have compatible uses.

Taxable Possessory Interests

A taxable possessory interest results from the possession, a right to possession, or a claim to a right to possession of publicly-owned real property, in which the possession provides a private benefit to the possessor and is independent, durable, and exclusive of rights held by others. The assessment of a taxable possessory interest in tax-exempt publicly-owned property is based on the value of the rights held by the possessor; the value of the rights retained by the public owner is almost always tax exempt.

The assessor is responsible for discovering taxable possessory interests and valuing those possessory interests upon their creation, renewal, or assignment of the lease, and upon the construction of new improvements on the property.

The assessor's primary means of discovering possessory interests are reports from government agencies, field inspections, information from taxpayers, business property statements, reviews of building permits, and recorded leases and agreements. The assessor annually sends property usage questionnaires to 21 public agencies requesting a list of tenants with their names, addresses, rents, terms of possession, property descriptions, and dates of possession. Follow-ups to these written inquiries are made through telephone calls, emails, letters, or personal visits. The

assessor has direct communications with two airport managers, the County Finance Office, the City of Willows, and the City of Orland. The government agencies are typically cooperative and responsive. The assessor reports the response rate for returned questionnaires has varied over recent years, with the most recent year at roughly 80 percent. The types of taxable possessory interests found in Glenn County include uses at the fairgrounds, grazing permits, cabins, employee housing, hangars at the two airports, a restaurant at the Willows airport, and cable television franchises. For the 2008-09 roll year, the assessor enrolled 125 individual possessory interests with a combined assessed value of \$4,028,735.

Valuation and monitoring of the possessory interests is the responsibility of one senior appraiser. He reviews the questionnaires returned, appraises any new possessory interests, makes appropriate remarks on both the property record and the computerized possessory interest program appraisal record, and forwards the assessment for enrollment on the unsecured tax roll.

We reviewed the assessor's written possessory interest procedures and a number of possessory interest records. We found several areas in need of improvement for the assessor's taxable possessory interest program.

RECOMMENDATION 7: Improve the taxable possessory interest program by: (1) discovering and assessing all taxable possessory interests at the fairgrounds, (2) using proper method to develop the appropriate capitalization rate when valuing taxable possessory interests, (3) deducting allowable expenses from gross income when valuing taxable possessory interests, (4) using the stated term of possession in accordance with Rule 21 when assessing taxable possessory interests, (5) revaluing land and improvements upon the creation, renewal, extension, or assignment of a taxable possessory interest, and (6) properly issuing supplemental assessments for taxable possessory interests.

Discover and assess all taxable possessory interests at the fairgrounds.

Currently, the assessor does not annually contact the Glenn County Fairgrounds in an effort to determine if the fairgrounds has any potential taxable possessory interests. As a result, the assessor is not assessing any taxable possessory interests at the fairgrounds. In a field visit to the Glenn County Fairgrounds and an interview with the fairgrounds chief executive officer, we discovered the assessor has failed to assess at least two evident possessory interests.

Uses of the fairground facilities should be investigated to see whether or not that use constitutes a taxable possessory interest. Since Glenn County does not have an ordinance for exempting low-value fairground taxable possessory interests under section 155.20, the assessor should enroll all taxable possessory interests at the fairgrounds. Section 107 and Rule 20 define the requirements for a taxable possessory interest. Briefly stated, these requirements are that the right of possession be independent, exclusive, durable, and provide a private benefit. The assessor's failure to investigate potential taxable possessory interests at the fairgrounds may result in escaped assessments and lost revenue to the county.

Use proper method to develop the appropriate capitalization rate when valuing taxable possessory interests.

Several components are used by the assessor to develop a capitalization rate when valuing taxable possessory interests. The assessor applies the annual open-space land interest component recommended by BOE, plus a component for risk, a component for amortization when valuing possessory interests with improvements, and a component for property taxes regardless of whether the landlord or the tenant pays the property taxes.

According to Assessors' Handbook Section 510, *Assessment of Taxable Possessory Interests* (AH 510), and consistent with Rule 8, a capitalization rate for valuing a taxable possessory interest may be developed using any of the following methods:

- By comparing the anticipated net incomes from comparable taxable possessory interests with their sale prices stated in cash or its equivalent and adjusted as described in Rule 21(e)(1)(A).
- By comparing anticipated net incomes of comparable fee simple absolute interests in real property with their sale prices stated in cash or its equivalent, provided the comparable fee properties are not expected to produce significantly higher net incomes subsequent to the subject taxable possessory interest's term of possession than during it.
- By deriving a weighted average of the capitalization rates for debt and equity capital appropriate for the subject taxable possessory interest, weighting the separate rates of debt and equity by the relative amounts of debt and equity capital expected to be used by a typical purchaser of the subject taxable possessory interest.

Also consistent with Rule 8(f), the capitalization rate should include a component for property taxes, where applicable. According to AH 510, when the landlord (lessor) is responsible for paying the property taxes, the capitalization rate should include a component for property taxes. However, if the tenant is responsible for paying the property taxes in addition to rent, the capitalization rate should not include a component for property taxes. With most taxable possessory interests, the possessory interest tax is paid by the tenant (lessee or possessor) in addition to rent and, therefore, the capitalization rate should not include a component for property taxes.

Using improper methodology to develop a capitalization rate when valuing taxable possessory interests may cause the assessor to apply an inappropriate capitalization rate and enroll incorrect assessments.

Deduct allowable expenses from gross income when valuing taxable possessory interests.

When valuing possessory interests by the income approach, the assessor typically capitalizes the contract rent paid by the lessee without making any deductions from the gross rent for management and other operating expenses incurred by the public lessor.

Assessors' Handbook Section 510 (AH 510) provides that allowed expenses paid by the public owner should be deducted from the estimated economic rent. Rule 21 provides that, in the direct

income approach, the amount to be capitalized to arrive at a value estimate is the future net income the taxable possessory interest is capable of generating under typical management during the term of possession. Rule 8(c) provides that it is appropriate to reduce a lessor's rental income for typical management and other property related expenses incurred by the lessor.

A public owner will, at a minimum, incur some management expense with each possessory interest. Some lease agreements may require the public owner to pay for insurance, maintenance, or utilities. Capitalizing the gross income without deducting management and other property related expenses may overstate the value of the taxable possessory interest.

Use the stated term of possession as the reasonably anticipated term of possession in accordance with Rule 21 when valuing taxable possessory interests.

When valuing taxable possessory interests with a stated term of possession created by a contract, we found several instances where the assessor is using an anticipated term of possession created by the assessor rather than using the remaining stated term of possession of the contract as the reasonably anticipated term.

Rule 21(d)(1) provides that the stated term of possession shall be deemed the reasonably anticipated term of possession used in valuing a taxable possessory interest unless it is demonstrated by clear and convincing evidence the public owner and the private possessor have reached a mutual understanding or agreement such that the reasonably anticipated term of possession is shorter or longer than the stated term of possession. We found no evidence of such an understanding or agreement.

The assessor's use of a reasonable anticipated term of possession different from the stated contract term is contrary to Rule 21 and may result in incorrect assessments.

Revalue land and improvements upon the creation, renewal, extension, or assignment of a taxable possessory interest.

When valuing a taxable possessory interest with improvements due to a change in ownership, we found the assessor is revaluing the land, but does not always revalue the improvements. The assessor contends that if the improvements are owned by the tenant, then the improvements are not possessory interests and, therefore, not subject to reappraisal. For these possessory interests, the assessor determines and enrolls the new value for the land, but leaves the improvement value at its factored base year value.

According to AH 510, a possessory interest includes all improvements constructed pursuant to a possessory interest in land that becomes the property of the public owner at the termination of the possession whether the improvements were constructed at the possessor's or the public owner's expense. If the original lease indicates the improvements become the public owner's upon termination of the lease, then the improvements would also be considered to be part of the possessory interest and would be subject to reassessment along with the land when there is a change in ownership.

By not revaluing both the land and improvements of the possessory interest upon a change in ownership, the assessor is understating the value of the possessory interest and enrolling incorrect assessments.

Properly issue supplemental assessments for taxable possessory interests.

It is the assessor's current procedure not to issue supplemental assessments upon the renewal of a taxable possessory interest lease when the tenant remains the same.

Section 61(b) provides that the creation, renewal, extension, or assignment of a taxable possessory interest is a change in ownership. Section 75.11 provides that there shall be a supplemental assessment following a change in ownership or completed new construction.

The assessor's practice results in a loss of revenue.

Leasehold Improvements

Leasehold improvements are all improvements or additions to leased property that have been made by the tenant or lessee. Such improvements can be secured to the real property or assessed to the lessee on the unsecured assessment roll.

Commercial, industrial, and other types of income-producing properties require regular monitoring by the assessor, because as tenants change over time, they may add and/or remove improvements that may result in a changed use of the property. These changes must, by law, be reflected in the property's assessment if they qualify as new construction.

When real property is reported on BOE-571-L, *Business Property Statement* (BPS), coordination between the real property and business property divisions of the assessor's office is important. The reported cost should be examined by both an appraiser in the real property division and an auditor-appraiser in the business property division. The divisions should determine the proper classification of the property to ensure appropriate assessment by each division, and to avoid escape and double assessments. The assessor must determine whether costs are for repair and maintenance, whether additions are properly classified as structural improvements or fixtures, or if additions are properly enrolled.

Coordination between the business property and real property divisions is essential for the proper assessment of leasehold improvements. Procedures should be designed to ensure all new construction improvements are valued at the appropriate amount, not assessed to multiple accounts, and assessed to the proper person.

In our survey of Glenn County, we found the assessor does not have any formal written procedures for the discovery and assessment of leasehold improvements in the county. A section of the BPS (Schedule B) deals specifically with real property owned or improved by the owner or tenants of premises housing business enterprises. Taxpayers are required to annually list additions, alterations, or deletions of real property improvements by reporting costs detailing changes to land, land improvements, and structures. In this way, taxpayers report costs of

additions or alterations to tenant improvements. These changes must be reviewed and reflected in the property assessment if they qualify as new construction.

The assessor currently does not have an auditor-appraiser, and employs one technician to review the BPSs. The technician sends the real property division a copy of each BPS (Schedule B) containing information about newly reported structures, land developments, and land improvements, as well as any additional information relating to the costs. Responsibility for the assessment of structural leasehold improvements generally falls upon the real property appraisers. However, there are situations where the business property technician and the real property appraiser will confer to make a final decision. The real property appraisers generally send notes to the business property technician to notify her of personal property items.

The primary discovery tools for leasehold improvements are BPSs and building permits. Other discovery tools include surveys of tenants in commercial buildings, review of leases, field observation, and reviews of business records. All reported costs not clear as to classification are investigated. The assessor believes the appraisers' knowledge of their assigned areas will lead to the discovery of any new leasehold improvements. Considering the small size of the Glenn County Assessor's office, the practice seems acceptable.

We found one area in need of improvement for the assessor's leasehold improvement program.

RECOMMENDATION 8: Properly classify and assess fixtures on the assessment roll.

We found the assessor classifies ATMs, bank vault doors, and gasoline storage tanks and pumps as structural improvements on the secured roll rather than as fixtures.

Rule 122.5 and Assessors' Handbook Section 581, *Equipment and Fixtures Index, Percent Good and Valuation Factors* (AH 581), clearly describe these leasehold improvements as fixtures. Proper classification of leasehold improvements as structure items or fixtures is important, because fixtures are treated differently than structures. Fixtures are a separate appraisal unit when measuring declines in value. In most cases, section 75.5 provides that fixtures are not subject to supplemental assessments. However, structural improvements are supplementally assessed when appropriate. Additionally, structural improvements on the secured roll are factored up each year by the inflation factor, while fixtures are not. If the assessor incorrectly classifies the leasehold improvements as structures rather than fixtures, then the improvements may be overassessed due to the application of the inflation factor each year, which would not be applicable if correctly classified as fixtures.

Mineral Property

By statute and case law, mineral properties are taxable as real property. They are subject to the same laws and appraisal methodology as all real property in the state. However, there are three mineral-specific property tax rules that apply to the assessment of mineral properties. They are Rule 468, *Oil and Gas Producing Properties*, Rule 469, *Mining Properties*, and Rule 473, *Geothermal Properties*. These rules are interpretations of existing statutes and case law with respect to the assessment of mineral properties.

Glenn County has no high temperature geothermal properties.

Petroleum Property

Glenn County produces almost 4 percent of the gas produced in California. Currently, the petroleum appraisals are performed by a mineral consultant. A review of the appraisal records for petroleum properties indicates they conform to BOE guidelines. There are no recommendations for petroleum properties for this survey.

Mining Property

There are five active mining properties located in Glenn County. Mineral properties are valued using the royalty method. These valuations are the responsibility of the assistant assessor. We found one area where the assessor can improve the mining property program.

RECOMMENDATION 9: Measure declines in value for mineral properties using the entire appraisal unit as required by Rule 469(e)(2)(C).

The royalty method capitalizes the annual royalty payments to determine the leased fee mineral right interest value of the property. When compared to the current market value of the same interest, the adjusted base year value is typically the lower value. Fixtures and equipment are valued by the business property section using percent good tables to determine current market value; this value is typically lower than the adjusted base year value. For each property, information from these two appraisals, mineral and fixtures, is not shared with the opposing units and values are not combined to arrive at a total property value.

This procedure conflicts with the directions provided for in Rule 469(e)(2)(C), which states that, for mineral properties, declines in value are to be measured based on the value of the entire appraisal unit, which consists of the land, improvements (including fixtures), and reserves. (Leach pads, settling ponds, and tailings facilities are defined as separate appraisal units by section 53.5.) The adjusted base year values of the fixtures and equipment must be tracked and combined with the adjusted base year value of the mineral rights to arrive at the proper adjusted base year value of the appraisal unit. This value can then be compared to the current market value of the mineral rights, fixtures, and equipment. The lower value should then be enrolled.

ASSESSMENT OF PERSONAL PROPERTY AND FIXTURES

The assessor's program for assessing personal property and fixtures includes the following major elements:

- Discovery and classification of taxable personal property and fixtures;
- Mailing and processing of annual property statements and questionnaires;
- Annual revaluation of taxable personal property and fixtures;
- Auditing taxpayers whose assessments are based upon information provided in property statements.

As of August 2009, the assessor's staff assigned to the business property program consisted of two technicians. The technicians are responsible for reviewing business property statements and creating new business files. The assessor works in conjunction with the technicians to ensure the correct classification and allocation of real and personal property assessed to businesses. The assessor is currently attempting to certify an auditor-appraiser from the appraisal staff who previously was employed at the assessor's office as an auditor-appraiser. No audits were conducted by the assessor's staff for the 2008-09 roll year.

In this section of the survey report, we review the assessor's audit program, business property statement program, and business equipment valuation.

Audit Program

A comprehensive audit program is essential to the successful administration of any tax program that relies on information supplied by taxpayers. A good audit program discourages deliberate underreporting, helps educate those property owners who unintentionally misreport, and provides the assessor with additional information to make fair and accurate assessments.

Prior to January 1, 2009, Revenue and Taxation Code section 469 required county assessors to audit, at least once every four years, the books and records of any taxpayer engaged in a profession, trade, or business, if the taxpayer has assessable trade fixtures and business tangible personal property valued at \$400,000 or more. These statutorily required audits are commonly referred to as mandatory audits. Additionally, a county assessor may audit the books and records of taxpayers with holdings below \$400,000 in value under the authority of Revenue and Taxation Code section 470. These audits are referred to as nonmandatory audits. Generally, county assessors perform both mandatory and nonmandatory audits to ensure that their audit program includes a representative sample of all sizes and types of property taxpayers with personal property holdings subject to the property tax.

Effective January 1, 2009, county assessors are no longer required to audit all taxpayers with trade fixture and business tangible personal property holdings of \$400,000 or more at least once

every four years. Instead, the county assessor is required to annually audit a significant number of audits as specified in section 469. The significant number of audits required is at least 75 percent of the fiscal year average of the total number of mandatory audits the assessor was required to have conducted during the 2002-03 fiscal year to the 2005-06 fiscal year, with at least 50 percent to be selected from a pool of those taxpayers with the largest assessments. Thus, while section 469 still mandates a certain level of audits that must be performed annually, assessors now have some flexibility in determining which accounts will comprise this mandated workload. According to Letter To Assessors No. 2009/049, the amended statute requires the Glenn County Assessor to complete four audits per year

We found significant deficiencies in the assessor's audit program. As previously stated, as of the date of this survey, there were no auditor-appraisers in the Glenn County Assessor's Office. Consequently, no audits were performed by the assessor's staff during the 2008-09 fiscal year. While the assessor has the authority under section 670(d) to perform mandatory audits, the two mandatory audits completed during the 2008-09 fiscal year were contracted through the California Counties Cooperative Audit Services Exchange (CCCASE) program. Furthermore, to date, the assessor has completed no audits for the 2009-10 fiscal year. Therefore, it appears the assessor will not complete the newly defined number of audits required by section 469.

RECOMMENDATION 10: Improve the audit program by auditing the books and records of professions, trades, or businesses, pursuant to section 469.

We reviewed the mandatory audit workload in Glenn County and found the assessor has failed to audit the books and records of the accounts eligible for a mandatory audit at least once every four years as required prior to January 1, 2009. Furthermore, given the assessor's lack of an audit staff, it is unlikely she will be able to complete the significant number of audits required by section 469 effective January 1, 2009. The assessor is currently in the process of certifying one of the appraisal staff as an auditor-appraiser. However, it has not yet been determined whether the newly certified auditor-appraiser will be asked to conduct any of the future audit workload.

An effective audit program verifies the reporting of the largest business property accounts and helps to prevent any potentially large errors or escape assessments. Furthermore, section 469 now allows assessors greater flexibility in choosing to audit business property accounts with a more varied range of values. It should be emphasized errors and escapes not discovered and rectified during the audit process can represent a permanent loss of revenue to the county and special tax districts. This is a serious deficiency in the assessor's business property program.

Business Property Statement Program

Section 441 requires that each person, owning taxable personal property (other than a manufactured home) having an aggregate cost of \$100,000 or more, to annually file a business property statement (BPS) with the assessor; other persons must file a BPS if requested by the assessor. Property statements form the backbone of the business property assessment program. Several variants of the BPS address a variety of property types, including commercial, industrial, agricultural, vessels, and certificated aircraft.

Workload

The assessor processed a total of 3,002 property statements for the 2008-09 roll with a total assessed value of \$230,022,621.

The assessor does not currently have a dedicated Business Property Division. Business personal property appraisal functions are the direct responsibility of two office technicians and the assessor.

General Statement Processing

In Glenn County, business property statement processing begins with an office technician, who opens and date stamps the submitted statements. The statements are forwarded to another office technician, who reviews them for completion and the inclusion of a legally acceptable signature. Incomplete property statements are returned to the property owner, with a copy placed in a hanging file pending resubmission. Completed statements are placed in the individual property record jackets and separated for processing.

An office technician processes the majority of the property statements with the aid of a standardized equipment valuation schedule prepared by the assessor. The assessor processes the most complex property statements. Processed property statements, including those processed by the assessor, are reviewed by a second party prior to enrollment. Since the assessor establishes the use of standardized valuation tables for taxable business equipment by type, valuation judgments in connection with processing the statements are appropriately being made by a BOE certified appraiser.

We reviewed the business property statement program, including processing procedures, use of Board-prescribed forms, processing by non-certified staff, completeness of the property statements, authorized signatures, application of penalties, real property division coordination, and record storage and retention. We reviewed several active business property statements. We found that all statements sampled evidenced the proper usage of Board-prescribed forms and were properly signed. However, we did find room for improvement with the assessor's processing procedures.

RECOMMENDATION 11: Comply with section 443.1 by always returning duplicate property statements.

We found the assessor rarely returns a duplicate filing with calculated values when requested by the property owner. Section 443.1 provides that if a property statement is timely filed in duplicate with a request that the assessor mark on the duplicate statement opposite each category of property reported on the statement, the full value of such category of property as determined by the assessor, the assessor shall perform such service and shall return the duplicate to the person filing it no later than July 15 of the year in which it was filed. This detailed assessment information is vital to many lessors who must allocate their property tax bill to individual lessees. Furthermore, by ignoring such requests, the assessor is failing to comply with her obligation to provide this service as defined in section 443.1.

Discovery

The assessor utilizes a wide range of tools in discovering taxable business property. In addition to taxpayer self-reporting and periodic field canvassing, the assessor discovers taxable business property by reviewing city and county business licenses, fictitious business name filings, real property appraiser referrals, and landlord reports of tenants. These are commonly used as effective forms of discovery. One notable tool used by the assessor is the landlord report of tenants. The assessor sends a tenant letter along with the property statement to commercial and agricultural rental property owners on an annual basis. This proactive form of discovery can be highly effective. With one exception, we found the assessor employs effective methods for discovering business personal property.

RECOMMENDATION 12: Audit or visit property owners who fail to file business property statements (BPS) for three or more consecutive years.

We found the assessor sets no limits on the number of consecutive years a business property owner may fail to file a BPS before the assessor either visits the location of the taxable property or conducts an audit. Section 501 requires the assessor to estimate the value of business property belonging to anyone who does not comply with the reporting requirements. If a property statement was received for the previous year, it is usually reasonable to use this as a basis for estimating the current year's value. However, when allowing estimated assessments to continue for several years without any new information, the values become increasingly susceptible to error. This practice can lead to inaccurate assessments and loss of tax revenue due to the expiration of the statute of limitations for possible escape assessments. Therefore, estimated assessments based on prior years' reporting should be limited.

Filing Procedures

Under section 441.5, in lieu of completing the property statement as printed by the assessor, information required of the taxpayer may be furnished to the assessor as attachments to the property statement provided the attachments are in a format specified by the assessor and a copy of the actual property statement is signed by the taxpayer and carries appropriate reference to the data attached. The assessor allows taxpayers to submit attachments in lieu of completing BPSs, as provided by section 441.5, only if the taxpayer or the taxpayer's assignee submits the signed original of the statement. We reviewed several business property statements and found the taxpayer or an authorized agent appropriately signed the statements, even when a rendition was attached to an original of the BPS.

Our review also included verifying the assessor's procedures for processing late-filed and non-filed statements. The assessor applies the late-filing penalty as required by section 463; however, we found the penalty is incorrectly calculated.

RECOMMENDATION 13: Value taxable business property in accordance with section 501, when a taxpayer fails to file a business property statement (BPS).

We found that when a BPS is submitted late, rather than calculating the current market value of known taxable business property owned and controlled by the property owner and applying the statutorily defined penalty of 10 percent, the assessor is adding back the depreciation suffered during the previous year and then adding the 10 percent penalty to the resulting value.

If an assessee does not file a property statement by May 7, section 501 provides that the assessor shall estimate a value based on available information and add a 10 percent penalty to that estimated assessed value. By escalating the previous year's enrollment by a pre-determined rate, the assessor is enrolling an arbitrarily determined value with no supporting basis. Any estimated assessment should be supported by available information in conformance with section 501.

The assessor's current calculation methodology likely leads to erroneous value conclusions and leads to improper application of the late-filing or non-filing penalty provided for in section 463.

Business Equipment Valuation

Assessors value most machinery and equipment using business property value factors. Some valuation factors are derived by combining price index factors with percent good factors, while other valuation factors result from valuation studies. A value indicator is obtained by multiplying a property's historical cost by an appropriate value factor.

Section 401.5 provides that the BOE shall issue information that promotes uniformity in appraisal practices and assessed values. Pursuant to that mandate, the BOE annually publishes Assessors' Handbook Section 581, *Equipment and Fixtures Index, Percent Good and Valuation Factors* (AH 581).

The following table displays the assessor's secured and unsecured business property assessments enrolled on the 2008-09 roll:

ROLL YEAR 2008-09						
	SECURED		UNSECURED		TOTAL	
CATEGORY	NO.	ASSESSED VALUE	NO.	ASSESSED VALUE	NO.	ASSESSED VALUE
General Business	345	\$79,020,169	1,137	\$41,126,648	1,482	\$120,146,817
Agricultural	670	\$57,384,586	245	\$44,476,894	915	\$101,861,480
Vessels	0	\$0	506	\$3,946,287	506	\$3,946,287
General Aircraft	0	\$0	99	\$4,068,037	99	\$4,068,037
TOTAL	1,015	\$136,404,755	1,987	\$93,617,866	3,002	\$230,022,621

The assessor uses a codification system to identify and designate the use of specific valuation tables to business property accounts in the computer system. The application of the codified tables is determined and established each year by the assessor with the preparation of an "Equipment Codes" schedule. We reviewed the written procedures and standardized valuation policies related to business property valuation and found them to be in order.

Agricultural Equipment

The assessor has developed factor tables for new and used mobile agricultural equipment in conformity with the instructions for Table 6 in AH 581. Section 401.16(a)(2) allows the assessor to average the new or used percent good factors for both mobile agricultural and mobile construction equipment when the taxpayer does not indicate on the property statement whether the equipment is first acquired new or used. Where the condition is known, the assessor should use the "new" or "used" table. We reviewed the assessor's factor tables related to this issue as well as a number of processed agricultural property statements, and found that the Board-recommended factors are incorrectly applied.

RECOMMENDATION 14: Apply the mobile agricultural percent good factors published on Table 6 of the AH 581 as intended.

Prior to our survey, the assessor discovered that mobile agricultural equipment was being valued without the aid of mobile agricultural equipment percent good factors. Enrolled values for this equipment were calculated using inappropriate valuation tables for the surveyed tax year (2008-09). The assessor has since made an effort to rectify this error by converting the applied valuation tables when processing property statements for the 2009-10 fiscal year. However, we found the tables are still incorrectly utilized. We found several cases where non-mobile equipment reported on agricultural property statements was valued with mobile agricultural valuation tables. Accurate assessments depend on the proper choice and application of these tables. To ensure an accurate value indicator, the assessor should determine whether reported machinery and equipment is mobile in nature, and then apply the appropriate factor from AH 581.

APPENDIXES

A. County-Assessed Properties Division Survey Group

Glenn County

Chief

Dean Kinnee

Survey Program Director:

Benjamin Tang

Principal Property Appraiser

Survey Team Supervisor:

David Dodson

Supervising Property Appraiser

Survey Team Leader:

Pam Bowens

Supervising Property Appraiser

Survey Team:

James McCarthy

Senior Petroleum and Mining Appraisal Engineer

Michael Brennan

Associate Property Appraiser

Charles Matura

Associate Property Appraiser

Angie Berry

Associate Property Appraiser

Jeff Arthur

Associate Property Auditor-Appraiser

B. Relevant Statutes and Regulations

Government Code

15640. Survey by board of county assessment procedures.

- (a) The State Board of Equalization shall make surveys in each county and city and county to determine the adequacy of the procedures and practices employed by the county assessor in the valuation of property for the purposes of taxation and in the performance generally of the duties enjoined upon him or her.
- (b) The surveys shall include a review of the practices of the assessor with respect to uniformity of treatment of all classes of property to ensure that all classes are treated equitably, and that no class receives a systematic overvaluation or undervaluation as compared to other classes of property in the county or city and county.
- (c) The surveys may include a sampling of assessments from the local assessment rolls. Any sampling conducted pursuant to subdivision (b) of Section 15643 shall be sufficient in size and dispersion to insure an adequate representation therein of the several classes of property throughout the county.
- (d) In addition, the BOE may periodically conduct statewide surveys limited in scope to specific topics, issues, or problems requiring immediate attention.
- (e) The board's duly authorized representatives shall, for purposes of these surveys, have access to, and may make copies of, all records, public or otherwise, maintained in the office of any county assessor.
- (f) The BOE shall develop procedures to carry out its duties under this section after consultation with the California Assessors' Association. The BOE shall also provide a right to each county assessor to appeal to the board appraisals made within his or her county where differences have not been resolved before completion of a field review and shall adopt procedures to implement the appeal process.

15641. Audit of records; appraisal data not public.

In order to verify the information furnished to the assessor of the county, the BOE may audit the original books of account, wherever located, of any person owning, claiming, possessing or controlling property included in a survey conducted pursuant to this chapter when the property is of a type for which accounting records are useful sources of appraisal data.

No appraisal data relating to individual properties obtained for the purposes of any survey under this chapter shall be made public, and no state or local officer or employee thereof gaining knowledge thereof in any action taken under this chapter shall make any disclosure with respect thereto except as that may be required for the purposes of this chapter. Except as specifically provided herein, any appraisal data may be disclosed by the BOE to any assessor, or by the board or the assessor to the assessee of the property to which the data relate.

The BOE shall permit an assessee of property to inspect, at the appropriate office of the BOE, any information and records relating to an appraisal of his or her property, including "market data" as defined in Section 408. However, no information or records, other than "market data," which relate to the property or business affairs of a person other than the assessee shall be disclosed.

Nothing in this section shall be construed as preventing examination of that data by law enforcement agencies, grand juries, boards of supervisors, or their duly authorized agents, employees, or representatives conducting an investigation of an assessor's office pursuant to Section 25303, and other duly authorized legislative or administrative bodies of the state pursuant to their authorization to examine that data.

15642. Research by BOE employees.

The BOE shall send members of its staff to the several counties and cities and counties of the state for the purpose of conducting that research it deems essential for the completion of a survey report pursuant to Section 15640 with respect to each county and city and county. The survey report shall show the volume of assessing work to be done as measured by the various types of property to be assessed and the number of individual assessments to be made, the responsibilities devolving upon the county assessor, and the extent to which assessment practices are consistent with or differ from state law and regulations. The report may show the county assessor's requirements for maps, records, and other equipment and supplies essential to the adequate performance of his or her duties, the number and classification of personnel needed by him or her for the adequate conduct of his or her office, and the fiscal outlay required to secure for that office sufficient funds to ensure the proper performance of its duties.

15643. When surveys to be made.

- (a) The BOE shall proceed with the surveys of the assessment procedures and practices in the several counties and cities and counties as rapidly as feasible, and shall repeat or supplement each survey at least once in five years.
- (b) The surveys of the ten largest counties and cities and counties shall include a sampling of assessments on the local assessment rolls as described in Section 15640. In addition, the BOE shall each year, in accordance with procedures established by the BOE by regulation, select at random at least three of the remaining counties or cities and counties, and conduct a sample of assessments on the local assessment roll in those counties. If the BOE finds that a county or city and county has "significant assessment problems," as provided in Section 75.60 of the Revenue and Taxation Code, a sample of assessments will be conducted in that county or city and county in lieu of a county or city and county selected at random. The ten largest counties and cities and counties shall be determined based upon the total value of locally assessed property located in the counties and cities and counties on the lien date that falls within the calendar year of 1995 and every fifth calendar year thereafter.
- (c) The statewide surveys which are limited in scope to specific topics, issues, or problems may be conducted whenever the BOE determines that a need exists to conduct a survey.

(d) When requested by the legislative body or the assessor of any county or city and county to perform a survey not otherwise scheduled, the BOE may enter into a contract with the requesting local agency to conduct that survey. The contract may provide for a BOE sampling of assessments on the local roll. The amount of the contracts shall not be less than the cost to the BOE, and shall be subject to regulations approved by the Director of General Services.

15644. Recommendations by BOE.

The surveys shall incorporate reviews of existing assessment procedures and practices as well as recommendations for their improvement in conformity with the information developed in the surveys as to what is required to afford the most efficient assessment of property for tax purposes in the counties or cities and counties concerned.

15645. Survey report; final survey report; assessor's report.

(a) Upon completion of a survey of the procedures and practices of a county assessor, the BOE shall prepare a written survey report setting forth its findings and recommendations and transmit a copy to the assessor. In addition the BOE may file with the assessor a confidential report containing matters relating to personnel. Before preparing its written survey report, the BOE shall meet with the assessor to discuss and confer on those matters which may be included in the written survey report.

(b) Within 30 days after receiving a copy of the survey report, the assessor may file with the BOE a written response to the findings and recommendations in the survey report.

The BOE may, for good cause, extend the period for filing the response.

(c) The survey report, together with the assessor's response, if any, and the BOE's comments, if any, shall constitute the final survey report. The final survey report shall be issued by the BOE within two years after the date the BOE began the survey. Within a year after receiving a copy of the final survey report, and annually thereafter, no later than the date on which the initial report was issued by the BOE and until all issues are resolved, the assessor shall file with the board of supervisors a report, indicating the manner in which the assessor has implemented, intends to implement or the reasons for not implementing, the recommendations of the survey report, with copies of that response being sent to the Governor, the Attorney General, the State Board of Equalization, the Senate and Assembly and to the grand juries and assessment appeals boards of the counties to which they relate.

15646. Copies of final survey reports to be filed with local officials.

Copies of final survey reports shall be filed with the Governor, Attorney General, and with the assessors, the boards of supervisors, the grand juries and assessment appeals boards of the counties to which they relate, and to other assessors of the counties unless one of these assessors notifies the State Board of Equalization to the contrary and, on the opening day of each regular session, with the Senate and Assembly.

Revenue and Taxation Code**75.60. Allocation for administration.**

(a) Notwithstanding any other provision of law, the board of supervisors of an eligible county or city and county, upon the adoption of a method identifying the actual administrative costs associated with the supplemental assessment roll, may direct the county auditor to allocate to the county or city and county, prior to the allocation of property tax revenues pursuant to Chapter 6 (commencing with Section 95) and prior to the allocation made pursuant to Section 75.70, an amount equal to the actual administrative costs, but not to exceed 5 percent of the revenues that have been collected on or after January 1, 1987, due to the assessments under this chapter. Those revenues shall be used solely for the purpose of administration of this chapter, regardless of the date those costs are incurred.

(b) For purposes of this section:

- (1) "Actual administrative costs" includes only those direct costs for administration, data processing, collection, and appeal that are incurred by county auditors, assessors, and tax collectors. "Actual administrative costs" also includes those indirect costs for administration, data processing, collections, and appeal that are incurred by county auditors, assessors, and tax collectors and are allowed by state and federal audit standards pursuant to the A-87 Cost Allocation Program.
- (2) "Eligible county or city and county" means a county or city and county that has been certified by the State Board of Equalization as an eligible county or city and county. The State Board of Equalization shall certify a county or city and county as an eligible county or city and county only if both of the following are determined to exist:
 - (A) The average assessment level in the county or city and county is at least 95 percent of the assessment level required by statute, as determined by the BOE's most recent survey of that county or city and county performed pursuant to Section 15640 of the Government Code.
 - (B) For any survey of a county assessment roll for the 1996-97 fiscal year and each fiscal year thereafter, the sum of the absolute values of the differences from the statutorily required assessment level described in subparagraph (A) does not exceed 7.5 percent of the total amount of the county's or city and county's statutorily required assessed value, as determined pursuant to the BOE's survey described in subparagraph (A).

- (3) Each certification of a county or city and county shall be valid only until the next survey made by the BOE. If a county or city and county has been certified following a survey that includes a sampling of assessments, the BOE may continue to certify that county or city and county following a survey that does not include sampling if the BOE finds in the survey conducted without sampling that there are no significant assessment problems in the county or city and county. The BOE shall, by regulation, define "significant assessment problems" for purposes of this section, and that definition shall include objective standards to measure performance. If the BOE finds in the survey conducted without sampling that significant assessment problems exist, the BOE shall conduct a sampling of assessments in that county or city and county to determine if it is an eligible county or city and county. If a county or city and county is not certified by the BOE, it may request a new survey in advance of the regularly scheduled survey, provided that it agrees to pay for the cost of the survey.

Title 18, California Code of Regulations

Rule 370. Random selection of counties for representative sampling.

- (a) **SURVEY CYCLE.** The BOE shall select at random at least three counties from among all except the ten largest counties and cities and counties for a representative sampling of assessments in accordance with the procedures contained herein. Counties eligible for random selection will be distributed as equally as possible in a five-year rotation commencing with the local assessment roll for the 1997–98 fiscal year.
- (b) **RANDOM SELECTION FOR ASSESSMENT SAMPLING.** The three counties selected at random will be drawn from the group of counties scheduled in that year for surveys of assessment practices. The scheduled counties will be ranked according to the size of their local assessment rolls for the year prior to the sampling.
 - (1) If no county has been selected for an assessment sampling on the basis of significant assessment problems as provided in subdivision (c), the counties eligible in that year for random selection will be divided into three groups (small, medium, and large), such that each county has an equal chance of being selected. One county will be selected at random by the BOE from each of these groups. The BOE may randomly select an additional county or counties to be included in any survey cycle year. The selection will be done by lot, with a representative of the California Assessors' Association witnessing the selection process.
 - (2) If one or more counties are scheduled for an assessment sampling in that year because they were found to have significant assessment problems, the counties eligible for random selection will be divided into the same number of groups as there are counties to be randomly selected, such that each county has an equal chance of being selected. For example, if one county is to be sampled because it was found to have significant assessment problems, only two counties will then be randomly selected and the pool of eligible counties will be divided into two groups. If two counties are to be sampled because they were found to have significant assessment problems, only one county will be randomly selected and all counties eligible in that year for random selection will be pooled into one group.

- (3) Once random selection has been made, neither the counties selected for an assessment sampling nor the remaining counties in the group for that fiscal year shall again become eligible for random selection until the next fiscal year in which such counties are scheduled for an assessment practices survey, as determined by the five-year rotation. At that time, both the counties selected and the remaining counties in that group shall again be eligible for random selection.

(c) **ASSESSMENT SAMPLING OF COUNTIES WITH SIGNIFICANT ASSESSMENT PROBLEMS.** If the BOE finds during the course of an assessment practices survey that a county has significant assessment problems as defined in Rule 371, the BOE shall conduct a sampling of assessments in that county in lieu of conducting a sampling in a county selected at random.

(d) **ADDITIONAL SURVEYS.** This regulation shall not be construed to prohibit the BOE from conducting additional surveys, samples, or other investigations of any county assessor's office.

Rule 371. Significant assessment problems.

(a) For purposes of Revenue and Taxation Code Section 75.60 and Government Code Section 15643, "significant assessment problems" means procedure(s) in one or more areas of an assessor's assessment operation, which alone or in combination, have been found by the BOE to indicate a reasonable probability that either:

- (1) the average assessment level in the county is less than 95 percent of the assessment level required by statute; or
- (2) the sum of all the differences between the BOE's appraisals and the assessor's values (without regard to whether the differences are underassessments or overassessments), expanded statistically over the assessor's entire roll, exceeds 7.5 percent of the assessment level required by statute.

(b) For purposes of this regulation, "areas of an assessor's assessment operation" means, but is not limited to, an assessor's programs for:

- (1) Uniformity of treatment for all classes of property.
- (2) Discovering and assessing newly constructed property.
- (3) Discovering and assessing real property that has undergone a change in ownership.
- (4) Conducting mandatory audits in accordance with Revenue and Taxation Code Section 469 and Property Tax Rule 192.
- (5) Assessing open-space land subject to enforceable restriction, in accordance with Revenue and Taxation Code Sections 421 et. seq.

- (6) Discovering and assessing taxable possessory interests in accordance with Revenue and Taxation Code Sections 107 et. seq.
 - (7) Discovering and assessing mineral-producing properties in accordance with Property Tax Rule 469.
 - (8) Discovering and assessing property that has suffered a decline in value.
 - (9) Reviewing, adjusting, and, if appropriate, defending assessments for which taxpayers have filed applications for reduction with the local assessment appeals board.
- (c) A finding of "significant assessment problems," as defined in this regulation, would be limited to the purposes of Revenue and Taxation Code Section 75.60 and Government Code Section 15643, and shall not be construed as a generalized conclusion about an assessor's practices.

ASSESSOR'S RESPONSE TO BOE'S FINDINGS

Section 15645 of the Government Code provides that the assessor may file with the BOE a response to the findings and recommendation in the survey report. The survey report, the assessor's response, and the BOE's comments on the assessor's response, if any, constitute the final survey report.

The Glenn County Assessor's response begins on the next page. The BOE has no comments on the response.



COUNTY OF GLENN

ASSESSOR'S OFFICE
COURT HOUSE COMPLEX
516 West Sycamore Street, 2nd Floor
Willows, California 95988
Willows Telephone (530) 934-6402
Orland Telephone (530) 865-1184
Fax: (530) 934-6571



Sheryl Thur

RECEIVED County Assessor / Clerk Recorder

July 6, 2011

JUL 11 2011

County-Assessed Properties Division
State Board of Equalization

State Board of Equalization
Property and Special Taxes Department
P O Box 942879
Sacramento, CA 95279-0064

Attn: Mr. Dean R. Kinnee, Chief

Dear Mr. Kinnee:

Pursuant to Section 15645 of the California Government Code, I am providing our written response to the Assessment Practices Survey of the 2008-09 Assessment Roll. Please incorporate my response in your final Assessment Practices Survey Report.

I want to express my appreciation to the survey team for the professional manner in which the survey was conducted. The survey of the Assessors' Assessment Practices is a valuable tool and serves as essential checks and balances on the proper administration of California's Property Tax System.

In reviewing my response, you will note that we agree with many of the recommendations and have already implemented or are planning to implement the changes necessary to achieve compliance. I am pleased to note that the recommendations are minor technical matters that do not involve or affect the major duties and functions of the department.

Most importantly, I want to thank my staff for their hard work, professionalism and dedication to serving the property owners and citizens of Glenn County. It was only through their committed effort that this overall outstanding practices survey was made possible.

Sincerely,

Sheryl Thur
Glenn County Assessor/Clerk/Recorder

SJT/sjt

**GLENN COUNTY ASSESSOR'S RESPONSE
TO
STATE BOARD OF EQUALIZATION ASSESSMENT PRACTICE SURVEY
JULY 6, 2011**

Recommendation 1: Improve the budget and staffing program by reporting statistics as requested by the BOE pursuant to section 407:

Response: We agree, as time permits. With the staffing/budget level we are experiencing we will do this as time permits.

Recommendation 2: Revise disaster relief procedures by: (1) revising the application for disaster relief, (2) revising the notice of reassessment for disaster relief to conform to the requirements of section 170(c), and (3) calculating the proration of taxes due on damaged property to include the month in which damage occurred as required by section 170 (e).

Response: Revised procedures are currently being prepared and implemented.

Recommendation 3: Grant the religious exemption only to qualifying properties.

Response: We agree and procedures have been implemented.

Recommendation 4: Use the most recent property tax forms provided by BOE as required by Government Code 15606(d).

Response: The most current forms are used each year. The issue was with the Master forms book not being updated.

Recommendation 5: Improve the valuation of new construction by: (1) valuing construction in progress at its fair market value for the lien date, (2) enrolling new construction with a value of \$2,000 or less on the regular roll in accordance with the low value property exemption resolution, and (3) adding value for newly constructed wells on land already irrigated from alternative sources.

Response: 1) We agree. We are currently enrolling construction in progress as of lien date. 2) We agree. We have started enrolling new construction to the 601 roll and applying the low value property tax exemption to supplementals only. 3) We consider some newly constructed wells to be either maintenance or new wells. These are reviewed on an individual basis and are determined simultaneously upon review.

Recommendation 6: Discover all compatible use income in the appraisal of California Land Conservation Act (CLCA) and Farmland Security Zone (FSZ) contracts.

Response: It is my understanding that this is an issue with the form not having an option of "other" on the form. We will be adding the option "other" to our questionnaire that we send to the CLCA and FSZ property owners for them to report any other income.

Recommendation 7: Improve the taxable possessory interest program by: (1) discovering and assessing all taxable possessory interests at the fairgrounds, (2) using proper method to develop the appropriate capitalization rate when valuing taxable possessory interests, (3) deducting allowable expenses from gross

income when valuing taxable possessory interests, (4) using the stated term of possession in accordance with Rule 21 when assessing taxable possessory interests, (5) revaluing land and improvements upon the creation, renewal, extension or assignment of a taxable possessory interest, and (6) properly issuing supplemental assessments for taxable possessory interests.

Response: 1) Most transitory use PI's are exempt from assessment per Section 155.20 of the R&T Code, and per Glenn County Resolution #99-13. 2-6) We agree and procedures have been implemented.

Recommendation 8: Properly classify and assess fixtures on the assessment roll.

Response: We agree.

Recommendation 9: Measure declines in value for mineral properties using the entire appraisal unit as required by Rule 469(e)(2)(C).

Response: We agree. We will be including the associated fixtures and equipment in our comparison of the factored base year value and the market value, comparing these value and enrolling the lower of these two values.

Recommendation 10: Improve the audit program by auditing the books and records of professions, trades, or businesses, pursuant to section 469.

Response: We have not had the luxury of having an Auditor/Appraiser on staff for quite some time. Recently we were able to hire an appraiser that also has accounting background. We did get him certified as an Auditor/Appraiser through Board of Equalization and plan to start performing audits as budget and time permits.

Recommendation 11: Comply with section 443.1 by always returning duplicate property statements.

Response: We agree and procedures have been implemented.

Recommendation 12: Audit or visit property owners who fail to file business property statements (BPS) for three or more consecutive years.

Response: We have not had the luxury of having an Auditor/Appraiser on staff for quite some time. Recently we were able to hire an appraiser that also has accounting background. We did get him certified as an Auditor/Appraiser through Board of Equalization and plan to start performing audits as budget and time permits.

Recommendation 13: Value taxable business property in accordance with section 501, when a taxpayer fails to file a business property statement (BPS).

Response: We agree and procedures have been implemented.

Recommendation 14: Apply the mobile agricultural percent good factors published on Table 6 of the AH 581 as intended.

Response: We agree and procedures have been implemented.